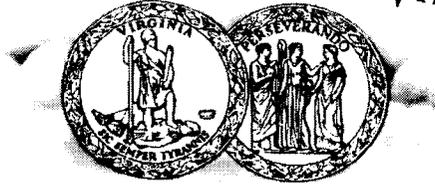


EXAMINATION REPORT
of
VSBA WORKERS' COMP GROUP
CHARLOTTESVILLE, VIRGINIA
as of
DECEMBER 31, 2011

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of VSBA Workers Comp Group as of December 31, 2012, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 14th day of March, 2013

A handwritten signature in cursive script that reads "Jacqueline K. Cunningham".

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

TABLE OF CONTENTS

DESCRIPTION..... 1

HISTORY 1

MANAGEMENT AND CONTROL 2

TERRITORY AND PLAN OF OPERATION 3

ADMINISTRATIVE AGREEMENT..... 3

CLAIMS SERVICE AGREEMENT 4

SAFETY CONSULTING AGREEMENT 4

FIDELITY BOND COVERAGE..... 5

SPECIAL RESERVES AND DEPOSITS 5

EXCESS INSURANCE COVERAGE 5

SCOPE 6

FINANCIAL STATEMENTS 7

RECOMMENDATIONS FOR CORRECTIVE ACTION 14

CONCLUSION 17

Richmond, Virginia
December 7, 2012

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, an examination of the records and affairs of:

VSBA WORKERS' COMP GROUP

Charlottesville, Virginia

hereinafter referred to as the Association, has been completed. The report is hereby submitted for your consideration.

DESCRIPTION

The Association is a group self-insurance association licensed to provide workers' compensation coverage and employers' liability coverage to its members pursuant to Section 65.2-802 of the Code of Virginia and 14 VAC 5-370-10 et seq. (Rules Governing Group Self-Insurers of Liability Under the Virginia Workers' Compensation Act) promulgated by the State Corporation Commission (the "Commission").

The Association was last examined by representatives of the Commission's Bureau of Insurance (the "Bureau") as of December 31, 2008. This examination covers the period from January 1, 2009 through December 31, 2011.

HISTORY

The Association was licensed by the Bureau effective July 1, 1996. The Association's membership consists of local public school boards and local political subdivisions of the Commonwealth of Virginia. According to its by-laws, the Association was formed to provide members the opportunity to self-insure and pool their separate liabilities arising pursuant to the terms of the Virginia Workers' Compensation Act.

MANAGEMENT AND CONTROL

Control of the Association is vested in a Members' Supervisory Board (the "Board") elected by members of the Association. The by-laws provide for no less than three nor more than twelve Board members, of which three-fourths must be currently elected or appointed to a member's governing body. Former elected or appointed officials of a member's governing body may be a Board member and one Board member may be a Division Superintendent of Schools. Each Board member shall serve a term of three years or until the members elect a successor and such terms shall be staggered to provide that one-third of the Board shall be elected each year. The Virginia School Boards Association ("VSBA") President or his or her designee shall serve as an ex-officio Board member with voting power and shall be counted in the determination of a quorum per the revised by-laws.

The Board and officers were as follows at December 31, 2011:

Board

<u>Representative</u>	<u>Affiliation</u>
Scott M. Albrecht	Manassas City Schools Manassas, Virginia
Julie M. Bennington	Bedford County Schools Bedford, Virginia
Billy W. Brooks	Washington County Schools Bristol, Virginia
Lloyd A. Hamlin	Surry County Schools Surry, Virginia
Wallace A. Hurt	Nottoway County Schools Nottoway, Virginia
James R. Ruhland	(Retired) Botetourt County Schools Troutville, Virginia
Terry S. Stone	King William County Schools King William, Virginia

David R. Sulzen

Floyd County Schools
Floyd, VirginiaOfficersDavid R. Sulzen
Scott M. AlbrechtChairman
Vice-Chairman**TERRITORY AND PLAN OF OPERATION**

The operation of the Association is confined to Virginia where it is licensed to transact the business of workers' compensation and employers' liability group self-insurance. Membership in the Association is available to local public school boards and local political subdivisions of the Commonwealth of Virginia, subject to approval of the Association's Board, the Bureau, and the Association's excess insurance carrier.

All members are required to enter into an indemnity agreement in which each member jointly and severally agrees to assume and discharge members' employers' liabilities and any and all members' liabilities covered under the Virginia Workers' Compensation Act.

The Association has a contractual agreement with an administrator who shall administer and manage the affairs of the Association in accordance with the policies adopted and established by the Board. Claims are processed and paid by a service agent under a contractual agreement with the Association. The Association conducts operations on a fiscal year basis ending June 30.

ADMINISTRATIVE AGREEMENT

Effective July 1, 2006, the Association entered into an administrative agreement with VSBA. The initial term of the agreement is ten years and shall automatically renew thereafter on a yearly basis until terminated by either party upon six months written notice.

According to this agreement, VSBA shall administer and manage the affairs of the Association in accordance with the policies adopted and established from time to time by the Board. Additionally, VSBA shall advise the Board on policy matters, ensure that all provisions of the Board's contracts for services are met, establish and maintain a resident address for the Association, set up policies and maintain a set of books, bill and collect all sums due the Association and pay all items of expense. Further, VSBA shall assist in securing specific and aggregate excess insurance, contracts for claims handling and loss

control services and coordinate annual member payroll audits. For the above services, VSBA shall receive 6% of all members' contributions to the Association. Total administrative fees expense for the calendar year 2011 was \$172,383. Additionally, VSBA may retain any commission received for placement of excess insurance coverage from the excess insurance carrier for all years covered under this agreement.

CLAIMS SERVICE AGREEMENT

Effective July 1, 2010, the Association entered into a claims service agreement with Wells Fargo Insurance Services of West Virginia, Inc., d/b/a Wells Fargo Disability Management ("Wells Fargo"). The initial term of the agreement is for a three year period and thereafter the agreement may be renewed for additional one-year periods by agreement of the parties. This agreement may be terminated by either party upon 60 days written notice prior to the anniversary or 90 days written notice at any time.

Under the terms of the agreement, Wells Fargo shall examine, evaluate and process claims occurring during the contract period until their conclusion, provide prompt payment of benefits and expenses, act as the liaison with the Virginia Workers' Compensation Commission, consult with and assist in the selection of attorneys, establish reserves, provide standard reports and monitor claims for potential subrogation. For the above services, Wells Fargo shall be compensated 4% of the annual earned premium plus allocated expenses, including nurse case management expenses and expenses incurred for claims meetings with the Association. Total claims service agent fee expense for calendar year 2011 was \$117,678.

SAFETY CONSULTING AGREEMENT

Effective July 1, 2011, the Association entered into a safety consulting agreement with Brooks Safety Consulting Group, LLC ("Brooks"). The initial term of the agreement is for a two-year period. This agreement may be terminated by either party upon 60 days written notice prior to the anniversary or 90 days written notice at any time.

Under the terms of the agreement, Brooks shall review, update and provide guidance on member school systems' employee safety programs, develop and implement a secure online safety training program for all members, provide supporting data for underwriting and management reports, provide follow-up reports regarding member site visits and training and attend quarterly Board meetings. For the above services, Brooks shall be compensated 2.5% of the annual earned premium. Total safety consulting fee expense for calendar year 2011 was \$45,546.

FIDELITY BOND COVERAGE

At December 31, 2011, the Association was listed as a named insured on a fidelity bond with a \$500,000 limit of liability, subject to a \$2,500 deductible, to insure against losses arising from dishonest acts of its administrator and employees.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2011, the Association had securities with a par value of \$255,024 on deposit with the Treasurer of Virginia as required by 14 VAC 5-370-60 A.

EXCESS INSURANCE COVERAGE

The Association had both specific excess and aggregate excess insurance agreements in force at December 31, 2011, with the following limits:

	<u>Association's Retention</u>	<u>Excess Insurer's Limits</u>
Specific Excess	\$400,000 maximum for each accident and each employee for disease	Workers' Compensation Statutory Employers' Liability \$1,000,000
Aggregate Excess	132.5% of the manual premium, subject to a minimum retention of \$4,622,524	\$1,000,000

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2009 through December 31, 2011. Assets were verified and liabilities were established at December 31, 2011. A review of income and disbursements for the period was made to the extent deemed necessary.

The items comprising the Balance Sheet had a medium or low risk assessment as determined from the principles of the risk-based examination approach contained in the NAIC Financial Condition Examiners Handbook. Analytical review procedures were applied to non-material items.

In addition, the following items were reviewed, several of which are discussed separately under their respective captions in this report.

History
Management and Control
Territory and Plan of Operation
Administrative Agreement
Claims Service Agreement
Safety Consulting Agreement
Fidelity Bond Coverage
Special Reserves and Deposits
Excess Insurance Coverage
Financial Statements

FINANCIAL STATEMENTS

There follows a statement reflecting the financial condition of the Association at December 31, 2011, a statement of income for the year ended December 31, 2011, a reconciliation of members' equity for the period under review, a statement of members' account by fiscal year inception to date, and a statement of Examiners' changes in members' equity.

BALANCE SHEET
DECEMBER 31, 2011

ASSETS

Other invested assets	\$255,024
Cash on deposit	6,017,109
Premiums receivable	31,043
Amounts recoverable on paid losses	231
Prepaid excess insurance premiums	155,768
Prepaid service agent's fees	26,080
Other prepaid expenses	<u>53,126</u>
 Total assets	 <u><u>\$6,538,381</u></u>

LIABILITIES AND MEMBERS' EQUITY

Losses unpaid	\$3,589,149
Loss adjustment expenses unpaid	345,380
Contingency reserve	878,647
Unearned premiums	1,382,830
Premium refunds payable	52,592
Administrative fees payable	77,280
Taxes, licenses and fees payable	123,047
Other expenses payable	1,007
Professional fees payable	34,250
Payroll audit fees payable	<u>5,182</u>
 Total liabilities	 <u><u>\$6,489,364</u></u>
 Restricted members' equity	 \$255,024
Unrestricted members' equity	<u>(206,007)</u>
 Total liabilities and members' equity	 <u><u>\$6,538,381</u></u>

STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2011

UNDERWRITING INCOME

Premiums earned	<u>\$2,420,405</u>
Deductions:	
Losses incurred	\$2,234,887
Loss expenses incurred	322,332
Other underwriting expenses incurred	627,211
Contingency reserve	<u>84,736</u>
Total underwriting deductions	<u>\$3,269,166</u>
Net underwriting gain or (loss)	<u>(\$848,761)</u>

INVESTMENT INCOME

Net investment income earned	<u>\$7,528</u>
Net investment gain or (loss)	<u>\$7,528</u>
Net loss	<u><u>(\$841,233)</u></u>

RECONCILIATION OF MEMBERS' EQUITY

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Members' equity, previous year before undistributed dividends	* \$582,404	\$1,746,674	\$890,250
Adjustments for previous examination changes	167,217		
Net income or (loss)	997,564	(856,424)	(841,233)
Net unrealized capital gains or (losses)	<u>(511)</u>	<u>0</u>	<u>0</u>
Restricted and unrestricted members' equity, end of year	1,746,674	890,250	49,017
Less: Restricted members' equity, end of year	<u>261,515</u>	<u>255,097</u>	<u>255,024</u>
Unrestricted members' equity, end of year before undistributed dividends	\$1,485,159	\$635,153	(\$206,007)
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted members' equity, end of year	<u><u>\$1,485,159</u></u>	<u><u>\$635,153</u></u>	<u><u>(\$206,007)</u></u>

* Adjusted members' equity from previous examination

MEMBERS' ACCOUNT BY FISCAL YEAR INCEPTION TO DATE DECEMBER 31, 2011

	All Other Fiscal Year Preceding 1996-2008	Third Fiscal Year Preceding 2008/2009	Second Fiscal Year Preceding 2009/2010	First Fiscal Year Preceding 2010/2011	Partial Current Fiscal Year 7/1/11-12/31/11	Total Inception to Date 1996-2011
<u>Income Received</u>						
Premiums written	\$18,632,083	\$3,082,348	\$3,236,518	\$3,036,080	\$2,670,786	\$30,657,815
Less: Excess insurance	1,963,783	367,785	405,221	366,565	341,948	3,445,302
Net premiums written	\$16,668,300	\$2,714,563	\$2,831,297	\$2,669,515	\$2,328,838	\$27,212,513
Investment income	953,078	37,004	16,414	8,041	7,528	1,022,065
Allocation between years	3,349	1,190	723	1,252	(6,514)	0
Total income collected	\$17,624,727	\$2,752,757	\$2,848,434	\$2,678,808	\$2,329,852	\$28,234,578
<u>Less: Expenses Paid</u>						
Losses paid (less recoveries)	\$10,016,025	\$787,526	\$1,278,412	\$1,630,364	\$109,793	\$13,822,120
Allocated loss adjustment expense	2,131,478	158,885	365,317	277,590	11,428	2,944,698
Administrative fees	1,273,733	187,610	197,270	181,496	0	1,840,109
Service agent's fees	780,545	125,765	135,499	125,969	81,713	1,249,491
Taxes, licenses and fees	389,264	74,473	123,225	58,941	0	645,903
Other expenses	822,877	101,232	164,458	122,081	119,653	1,330,301
Total expenses	\$15,413,922	\$1,435,491	\$2,264,181	\$2,396,441	\$322,587	\$21,832,622
Net cash income	\$2,210,805	\$1,317,266	\$584,253	\$282,367	\$2,007,265	\$6,401,956
<u>Add: Receivables</u>						
Premiums receivable	\$0	\$0	\$0	\$0	\$31,043	\$31,043
Recoverable on paid losses	231	0	0	0	0	231
Other	0	0	0	0	234,974	234,974
Total	\$231	\$0	\$0	\$0	\$266,017	\$266,248
<u>Deduct: Liabilities</u>						
Losses unpaid	\$1,023,399	\$254,008	\$675,316	\$854,422	\$782,004	\$3,589,149
Loss adjustment expenses	124,474	6,410	39,390	98,331	76,775	345,380
Contingency reserve	558,962	92,470	97,105	91,470	38,640	878,647
Unearned premiums	0	0	0	0	1,382,830	1,382,830
Premium refunds payable	0	0	0	0	52,592	52,592
Administrative fees payable	0	0	0	0	77,280	77,280
Taxes, licenses and fees payable	0	0	0	0	123,047	123,047
Other expenses payable	0	0	0	22,932	17,507	40,439
Total	\$1,706,835	\$352,888	\$811,811	\$1,067,155	\$2,550,675	\$6,489,364

MEMBERS' ACCOUNT BY FISCAL YEAR INCEPTION TO DATE DECEMBER 31, 2011

	All Other Fiscal Year Preceding 1996-2008	Third Fiscal Year Preceding 2008/2009	Second Fiscal Year Preceding 2009/2010	First Fiscal Year Preceding 2010/2011	Partial Current Fiscal Year 7/1/11-12/31/11	Total Inception to Date 1996-2011
Restricted and Unrestricted Members' Equity to date by fiscal year before dividends	\$504,201	\$964,378	(\$227,558)	(\$784,788)	(\$277,393)	\$178,840
Less: Dividends paid inception to date by fiscal year	129,823	0	0	0	0	129,823
Less: Restricted Members' Equity by fiscal year	51,005	51,005	51,005	51,004	51,005	255,024
Less: Dividends declared but unpaid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unrestricted Members' Equity 12/31/2011	<u>\$323,373</u> *	<u>\$913,373</u>	<u>(\$278,563)</u>	<u>(\$835,792)</u>	<u>(\$328,398)</u>	<u>(\$206,007)</u>

* - Although the cumulative unrestricted members' equity for the fiscal years 1996-2008 at December 31, 2011 was \$323,373; the 2000/2001, 2001/2002, 2003/2004 and 2004/2005 fiscal years had members' equity deficits of \$344,296, \$799,842, \$835,843 and \$283,707, respectively.

STATEMENT OF EXAMINERS' CHANGES IN MEMBERS' EQUITY
DECEMBER 31, 2011

	Amount Per <u>Association</u>	Amount Per <u>Examiner</u>	Increase (Decrease) <u>Members' Equity</u>
<u>Assets:</u>			
Premiums receivable	\$25,408	\$31,043	\$5,635
Amounts recoverable on paid losses	4,123	231	(3,892)
Prepaid excess insurance premiums	171,165	155,768	(15,397)
Prepaid service agent's fees	27,181	26,080	(1,101)
<u>Liabilities:</u>			
Losses unpaid	\$3,582,404	\$3,589,149	(\$6,745)
Loss adjustment expenses unpaid	344,692	345,380	(688)
Contingency reserve	879,294	878,647	647
Unearned premiums	1,373,409	1,382,830	(9,421)
Premium refunds payable	0	52,592	(52,592)
Administrative fees payable	78,573	77,280	1,293
Taxes, licenses and fees payable	80,000	123,047	<u>(43,047)</u>
Examiners changes in members' equity			<u>(\$125,308)</u>
Restricted and unrestricted members' equity per Association			\$174,325
Restricted and unrestricted members' equity per Examiners			<u>49,017</u>
Decrease in restricted and unrestricted members' equity			<u>(\$125,308)</u>

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. The results of this examination reflect an unrestricted members' equity deficit for the 2000/2001, 2001/2002, 2003/2004, 2004/2005, 2009/2010, 2010/2011 and 2011/2012 fiscal years of \$344,296, \$799,842, \$835,843, \$283,707, \$278,563, \$835,792 and \$328,398 respectively. The Board is reminded of its responsibility to assure that the Association is financially sound and able to fulfill its obligations under the Virginia Workers' Compensation Act.

Accounts and Records

- | | |
|--------------------------------|-----------------|
| 2. <u>Premiums receivable</u> | <u>\$31,043</u> |
| <u>Premium refunds payable</u> | <u>\$52,592</u> |

The above amounts have been increased \$5,635 and \$52,592, respectively. The Examiners' amounts are based on subsequent 2011/2012 fiscal year member payroll audits and reflect differences between audited contributions and contributions paid, prorated for the period July 1, 2011 through December 31, 2011.

- | | |
|--|--------------|
| 3. <u>Amounts recoverable on paid losses</u> | <u>\$231</u> |
|--|--------------|

The above asset is \$3,892 less than the amount reported by the Association in its 2011 Annual Statement. The decrease is a result of the Examiners' review of excess claims, net of recoverable payments received from the Association's excess insurer, at December 31, 2011. It was determined the Association had received the recoverable balance on one excess claim prior to December 31, 2011 and the excess insurer denied payment on the balance of a second excess claim prior to December 31, 2011. This is the third consecutive examination in which the Association reported this balance inaccurately. It is recommended that the Association fully review and properly report amounts recoverable on paid losses in future Annual Statement filings with the Bureau.

- | | |
|---|------------------|
| 4. <u>Prepaid excess insurance premiums</u> | <u>\$155,768</u> |
|---|------------------|

The above asset is \$15,397 less than the amount reported by the Association in its 2011 Annual Statement. The Examiners' amount reflects the unused portion of the Association's excess insurance premiums paid in 2011, but applicable to the policy period ending June 30, 2012 based on subsequent 2011/2012 fiscal year member payroll audits.

5. Prepaid service agent's fees \$26,080

The above asset is \$1,101 less than the amount reported by the Association in its 2011 Annual Statement. The Examiners amount is based on the actual fees paid compared to the fees required as developed from subsequent 2011/2012 fiscal year member payroll audits at December 31, 2011.

6. Losses unpaid \$3,589,149

The above liability is \$6,745 more than the amount reported by the Association in its 2011 Annual Statement. The increase in losses unpaid is attributed to the 1999/2000 fiscal year. The Examiners' increase results from a development of losses paid and reserve changes occurring during the period January 1, 2012 through October 31, 2012, on claims incurred December 31, 2011 and prior. The Association should review its methodologies to ensure sufficient loss reserves are established in all future filings with the Bureau.

7. Loss adjustment expenses unpaid \$345,380

The above liability is \$688 more than the amount reported by the Association in its 2011 Annual Statement. The increase in loss adjustment expenses unpaid is attributed to the 1999/2000 fiscal year. The Examiners' increase results from a development of loss adjustment expenses paid and reserves changes occurring during the period January 1, 2012 through October 31, 2012, on claims incurred December 31, 2011 and prior. The Association should review its methodologies to ensure sufficient loss adjustment expense reserves are established in all future filings with the Bureau.

8. Contingency reserve \$878,647

The above liability is \$647 less than the amount reported by the Association in its 2011 Annual Statement. The Examiners' amount is a result of a decrease in earned premium based on a review of member payroll audits during the period under review and subsequent 2011/2012 fiscal year member payroll audits, which is the basis for the calculation of the contingency reserve.

9. Unearned premiums \$1,382,830

The above liability is \$9,421 more than the amount reported by the Association in its 2011 Annual Statement. The Examiners' amount reflects the estimated premiums received to date at December 31, 2011, less the amount earned at December 31, 2011 based on subsequent 2011/2012 fiscal year member payroll audits.

10. Administrative fees payable \$77,280

The above liability is \$1,293 less than the amount reported by the Association in its 2011 Annual Statement. The Examiners' amount reflects administrative fees owed at December 31, 2011 based on the Examiners' analysis of subsequent 2011/2012 fiscal year member payroll audits, less the amounts paid at December 31, 2011.

11. Taxes, licenses and fees payable \$123,047

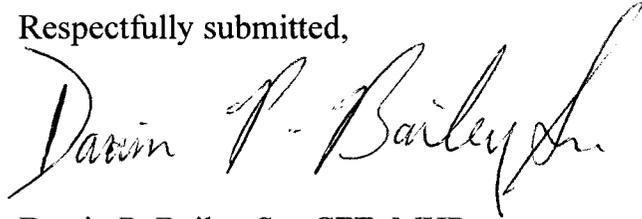
The above liability is \$43,047 more than the amount reported by the Association in its 2011 Annual Statement. The Examiner's amount is based on a review of invoices paid in 2012 for taxes pertaining to 2011.

CONCLUSION

The courteous cooperation extended by the Association's administrator and service agent during the course of the examination is gratefully acknowledged.

In addition to the undersigned, George Morgan, CFE and Milton Parker participated in the work of the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Darrin P. Bailey Sr." The signature is written in black ink and is positioned above the printed name.

Darrin P. Bailey Sr., CFE, MHP
Senior Insurance Examiner



Rivanna Ridge Professional Building
200 Hansen Road, Suite 2
Charlottesville, VA 22911

February 25, 2013

David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

RE: VSBA Workers' Comp Group
Examination Report as of December 31, 2011

Dear Mr. Smith,

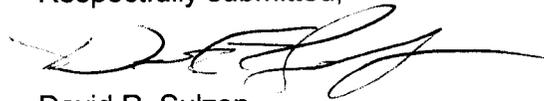
We have received and reviewed the above report.

We respond to the Recommendations for Corrective Action on pages 14-16 as follows:

1. We acknowledge that there are deficits in unrestricted members' equity for the 2000/2001, 2001/2002, 2003/2004, 2004/2005, 2009/2010, 2010/2011 and 2011/2012 fiscal years. We are monitoring these deficits closely and will insure that the Association is financially sound overall and able to fulfill its obligations under the Virginia Workers' Compensation Act.
2. This adjustment is based on subsequent 2011/2012 fiscal year member payroll audits and reflect differences between audited contributions and contributions paid, prorated for the period July 1, 2011 through December 31, 2011.
3. The Association will continue to review its processes for the proper reporting of amounts recoverable on paid losses.
4. This adjustment reflects the unused portion of the Association's excess insurance premiums paid in 2011, but applicable to the policy period ending June 30, 2012 based on subsequent 2011/2012 fiscal year member payroll audits.
5. This adjustment is based on the actual fees paid compared to the fees required as developed from subsequent 2011/2012 fiscal year member payroll audits at December 31, 2011.

6. The Association will review its methodologies to ensure sufficient loss reserves are established in all future filings with the Bureau. We do wish to point out that the adjustment was approximately .1% of the amount reported by the Association.
7. The Association will review its methodologies to ensure sufficient loss adjustment expenses reserves are established in all future filings with the Bureau. We do wish to point out that the adjustment was approximately .1% of the amount reported by the Association.
8. This adjustment is a result of a decrease in earned premium based on a review of the member payroll audits during the period under review and subsequent 2011/2012 fiscal year member payroll audits.
9. This adjustment is a result of the difference between the estimated premiums received to date at December 31, 2011, less the amount earned at December 31, 2011 based on subsequent 2011/2012 fiscal year member payroll audits.
10. This adjustment is a result of the difference between the administrative fees owed based on the 2011/2012 fiscal year member payroll audits less the amount paid at December 31, 2011.
11. The Association acknowledges this recommendation for corrective action.

Respectfully submitted,



David R. Sulzen
Chair, Members' Supervisory Board
VSBA Workers' Comp Group